

ID: CCA\_2011020311555837

Number: **201109019**

Office:

Release Date: 3/4/2011

UILC: 6231.07-00

---

**From:**

**Sent:** Thursday, February 03, 2011 11:56:05 AM

**To:**

**Cc:**

**Subject:** RE: Bankrupt TMP Question

The answer is not certain. In Barbados #7 v. Commissioner, 92 T.C. 804, 810-812 (1989) the court held that a TMP terminated as such by bankruptcy could not automatically be redesignated for the same year as TMP under the regulations applying largest profits interest rule of section 6231(a)(7)(B). The regulations do not specifically prohibit, however, a subsequent redesignation by the partners themselves after former TMP comes out of bankruptcy. Arguably that may be valid, but there may be some hazards associated with such a designation if the partnership is deemed to have dissolved and been reconstituted as a new partnership - an issue that is also discussed on Barbados #7. In that case, the partner may not be considered to be a "current" partner in the same partnership under Treas. Reg. 301.6231(a)(7)-1(b)(1)(ii).